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ABSTRACT

At the request of the U.S. Secretary of Agriculture, this investigation identified state and local school food authorities' (SFA) management and operating practices recognized as best practice by the United States Department of Agriculture (USDA) or other officials. In addition, the study determined whether some of these practices could be replicated, and reviewed the training and technical assistance provided by the USDA. Information was obtained primarily through interviews with officials from the USDA, four of the Food and Consumer Services' regional offices, states and local areas, the American Commodity Distribution Program, and the American School Food Service Association. Findings indicated that states and SFAs have developed several best practices for managing and operating school meal programs, including: (1) a computerized system to improve commodity-ordering efficiency; and (2) cooperative purchasing programs to buy food and nonfood items at competitive prices. The USDA has implemented a pilot project using the Department of Defense's national infrastructure to purchase fresh produce and improve the nutrition of school meals. Not all best practices may be suitable for all states and SFAs because of such factors as the size and location of the state or SFA. The USDA's recent training and technical assistance has focused on providing information on new dietary guidelines to school food service personnel. It was recommended that best practices be identified and encouraged and that training and technical assistance be provided to successfully replicate best practices in other states and SFAs. (Project descriptions and comments from the food and consumer service are appended.) (KDFB)

GAO

United States General Accounting Office

Report to the Secretary of Agriculture

May 1997

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SCHOOL MEAL PROGRAMS

Sharing Information on Best Practices May Improve Programs' Operations

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United States
General Accounting Office
Washington, D.C. 20548

**Resources, Community, and
Economic Development Division**

B-276623

May 21, 1997

The Honorable Dan Glickman
The Secretary of Agriculture

Dear Mr. Secretary:

In fiscal year 1997, the U.S. Department of Agriculture (USDA) will provide over \$6 billion in cash reimbursements and over \$600 million in commodities to the National School Lunch Program and the School Breakfast Program—the two largest school meal programs. USDA's Food and Consumer Service (FCS) is responsible for regulating and overseeing the school meal programs; however, the states and local school food authorities¹ (SFA) have flexibility in purchasing, distributing, and preparing the food that is served to schoolchildren. Some states and SFAs have developed and implemented unique and innovative practices to manage and operate these programs more efficiently and effectively in their schools. Some of these practices have the potential, if replicated, to improve the management and operating processes and systems of other states and SFAs. These kinds of practices are commonly known as best practices.²

To learn how best practices might be applied to the school meal programs, we (1) identified state and SFA management and operating practices that are generally recognized as best practices by USDA, state, and other officials; (2) determined whether some of these best practices could be replicated by other states and SFAs; and (3) reviewed the training and technical assistance USDA provides to the states and SFAs to help them better manage and operate the school meal programs. Specifically, to determine the replicability of best practices in other states and SFAs, we examined two best practices more closely—Pennsylvania's computerized system for ordering commodities from USDA and Texas' use of the Department of Defense's (DOD) commodity purchasing infrastructure to purchase fresh fruits and vegetables.

¹A local school food authority is any local school district or other entity, such as a private school, that manages a school's food service.

²Best practices refer to the management processes, practices, and systems identified in public and private organizations that have performed exceptionally well and are widely recognized as having improved an organization's performance and efficiency in specific areas. Identifying and applying best practices to other organizations can reduce their business expenses and improve their organizational efficiency.

Results in Brief

States and school food authorities have developed a number of best practices to improve the management and operation of the school meal programs, including the use of (1) a computerized system to improve the efficiency of the commodity-ordering process and (2) cooperative purchasing programs to buy food and nonfood items at competitive prices. In addition, USDA has implemented a pilot project that uses DOD's nationwide infrastructure to purchase fresh produce and improve the nutritional content of school meals.

USDA and other officials believe that the best practices identified could be replicated by some states and school food authorities to help improve the management and operation of the school meal programs nationwide. However, some impediments would first have to be overcome before these best practices could be adopted. For example, Pennsylvania's use of a computerized system for ordering commodities could help other states better allocate USDA-donated food among participating school food authorities and minimize the amount of USDA-donated meat that is sent back to commercial processors for reformulation into other products and then returned to the school food authority, a practice known as backhauling. However, the successful implementation of such a system would first require the establishment of an effective commodity-ordering and -processing network—like Pennsylvania's—that links commercial brokers and processors, school food authorities, and the state's commodity-distributing agency. Similarly, if other states and school food authorities wanted to purchase a wider variety of higher-quality fresh fruits and vegetables at competitive prices by using DOD's commodity-purchasing infrastructure under a USDA pilot project—as Texas has done—their participation might be limited—as Texas' is—by the \$20 million cap on federal commodity funds available for this USDA project. Moreover, not all best practices may be suitable for all states and school food authorities because of such factors as the size and location of the state or school food authority. For example, a best practice that has worked well for school food authorities in rural areas may have limited applicability and benefits for school food authorities in urban areas.

USDA's recent training and technical assistance efforts for the school meal programs have largely focused on providing information about the new dietary guidelines to school food service personnel. Because USDA's training and technical assistance resources are limited, USDA has had few resources available for training and assisting states in managing and operating the school meal programs more efficiently and economically. Past efforts to improve the management and operation of school meal

programs, such as the best practices awards program that operated during fiscal years 1992 through 1994, have either been eliminated or reduced because of other competing priorities for resources.

Background

The school meal programs are designed to provide nutritionally balanced and affordable meals to schoolchildren to safeguard their health and well-being. These programs are administered by FCS and are available in all 50 states, the District of Columbia, and the U.S. territories. The School Breakfast Program provides about 6.4 million children with a nutritious breakfast each school day, and the National School Lunch Program serves nutritious lunches to about 24.6 million children every school day.

SFAS participating in the school breakfast and lunch programs receive cash assistance and commodity foods from USDA for breakfasts and lunches served. In turn, the SFAS must serve breakfasts and lunches that meet federal nutritional requirements and must offer free or reduced-price meals to children from families whose incomes are at or below certain levels. According to an FCS official, about 80 cents of every dollar that SFAS spend on providing meals to schoolchildren comes from federal cash reimbursements and state and local funds and about 20 cents comes from commodity foods. The federal government is providing cash reimbursements to SFAS in school year 1996-97 of about \$1.02 for each free breakfast, \$0.72 for each reduced-price breakfast, and \$0.20 for each full-price breakfast; and about \$1.84 for each free lunch, \$1.44 for each reduced-price lunch, and \$0.18 for each full-price lunch.

In addition to cash reimbursements, SFAS receive commodity foods, valued at \$0.145 for each lunch served. States and SFAS select these foods from a list of more than 60 different kinds of food that USDA purchases. This list includes, for example, fresh, canned, and frozen fruits and vegetables; meat and poultry; peanut products; grain products; and dairy products. Commodity food purchases for meat, poultry, fruits, and vegetables are made by USDA's Agricultural Marketing Service (AMS) and for wheat, peanuts, oils, and dairy products by USDA's Farm Service Agency. FCS provides each state's commodity-distributing agency with information on the types and amounts of commodity foods that are available throughout the school year. Each state agency is responsible for ordering and providing delivery instructions to FCS for commodity foods to be delivered to the processors, warehouses, or SFAS within the state.

FCS provides training and technical assistance to the states and SFAS through conferences and meetings for state employees and directors, and through workshops held in conjunction with the American Commodity Distribution Association, the American School Food Service Association, and the National Food Service Management Institute (NFSMI). It also provides information through the Food and Nutrition Information Center (FNIC). These meetings and conferences provide the states with an opportunity to share ideas and/or new practices applicable to the school meal programs. NFSMI is a national information center established to provide training and technical assistance to the states and SFAS and to assist FCS by developing guidelines and materials for promoting healthy eating behaviors and providing nutritious meals through the school meal programs. FNIC is part of the National Agricultural Library and provides information support services for FCS and state agency staff, as well as information to the public through the Internet.

While the states and SFAS have flexibility in managing their school meal programs, FCS, as part of its oversight function, conducts regular management evaluations, reviews state-performed administrative reviews of SFAS, and asks USDA's Office of Inspector General to conduct reviews of certain school meal program activities. For example, in fiscal year 1996, FCS' regional offices conducted management evaluations of the operations of school meal programs for 15 state agencies. Through this process, the regional offices provide ongoing, comprehensive assessments of state agencies' operations while offering technical assistance to achieve regulatory compliance and improve program management. The results of these efforts help FCS identify areas in program performance that need improvement.

States and SFAs Have Developed Best Practices

Several states and SFAS have developed practices for better managing and operating the school meal programs. These practices cover a wide range of activities, including purchasing, preparing, and serving food, as well as methods to improve administrative functions and provide technical support to other states and SFAS. With the implementation of certain practices, according to some regional USDA officials and state officials, programs are operating more economically and efficiently and schoolchildren are being served more nutritious meals. According to these officials, some practices are generally recognized as best practices and sharing information on them could benefit other states and SFAS. Of the best practices we identified during the course of this review, USDA officials

agreed that those discussed below are likely to have the greatest potential benefit for other states and SFAs if they are replicated.

Pennsylvania's computerized commodity ordering system. Pennsylvania has developed a computerized commodity-ordering system to better manage the commodity-ordering process for its over 900 SFAs.

Pennsylvania's system ensures that each SFA obtains its fair share of all federally donated commodity foods. Moreover, the system has improved the inventory control of commodity foods and has been particularly beneficial in reducing the amounts of commodities, such as meat and poultry, that SFAs have to backhaul. For the 1995-96 school year alone, Pennsylvania estimated cost savings of \$460,000. Furthermore, these officials told us that the reduction in backhauled commodities has resulted in higher-quality products that more schoolchildren are likely to accept. (See app. I for a more detailed discussion of Pennsylvania's computerized commodity-ordering system.)

Cooperative purchasing programs. Some SFAs have entered into cooperative purchasing programs in which two or more SFAs agree to purchase food and nonfood items jointly for their school meal programs. Small rural school systems that have used these programs have been able to purchase a wider selection of food and nonfood items competitively and at lower prices. For example, a 1993 study of the benefits of implementing a cooperative purchasing program in Mississippi found that this approach, among other things, reduced the burden associated with the bidding process, increased vendors' reliability, saved time, decreased paperwork, made ordering easier, and decreased the number of deliveries.³ On the basis of this study, Mississippi's Department of Education established a cooperative purchasing program for 35 rural SFAs; this program now includes over 100 SFAs.

States' use of DOD's infrastructure to purchase fresh produce. To improve the availability of fresh fruits and vegetables and the nutritional content of school meals, USDA started a pilot project with DOD in 1994 to purchase high-quality fresh fruits and vegetables for the school meal programs. USDA chose DOD for the pilot project because, unlike AMS, which purchases commodities centrally through the federal bid solicitation process, DOD uses a nationwide, decentralized commodity-purchasing system to purchase fresh produce from local vendors for its customers. During the project's first year, eight states, including Texas, participated in and

³ J. Oldenquist, Analysis of the Effectiveness of the Mississippi State Department of Education Purchasing Program for Child Nutrition Programs (Dec. 1993).

reported a high level of satisfaction with DOD's service and with the quality and variety of the fresh produce available to the SFAs at competitive prices. The pilot project was expanded to include SFAs from 32 states. A recent study⁴ of the project's performance in Colorado found that schoolchildren in the SFAs that participated in the project increased their consumption of fresh fruits and vegetables during school meals and wasted less.⁵ (See app. II for a more detailed discussion on the operation of the USDA/DOD pilot project in Texas.)

Model contract for food service management companies. In 1996, we reported that SFAs had increased their use of food service management companies to operate the school meal programs from 4 percent in school year 1987-88 to about 8 percent in school year 1994-95.⁶ FCS requires that the meal services provided by food service management companies are governed by contracts developed by the SFAs. However, we found that food service contracts varied greatly and at least 50 percent did not contain the necessary provisions to ensure (1) SFAs' retention of financial and administrative control over the school meal programs and (2) compliance with federal requirements. To overcome these problems, some states have developed a model food service contract.

According to FCS officials, the use of a model food service contract can ensure that certain core business principles, required by federal regulations, are contained in the contract. For example, the model contract developed by Pennsylvania contains provisions that cover specific federal requirements for the school meal programs, such as (1) ensuring that appropriate financial controls are in place, (2) using USDA-donated foods in accordance with guidelines, (3) outlining how SFAs will receive credit from the food service management company for the value of the donated commodities used for school meals, and (4) ensuring that adequate procedures for monitoring and evaluation are established. This model contract also contains terms covering the duration and renewal of the contract and language to ensure that SFAs adequately oversee the programs as required. Moreover, according to a regional FCS official, using a model contract often eases the complex and tedious

⁴ J. Anderson, and L. Ryan, *Evaluating the Fresh Fruit and Vegetable Pilot Project in Colorado Final Report*, Department of Food Science and Human Nutrition of Colorado State University (Fort Collins, Colorado: 1996).

⁵ However, the study did not address the extent to which other factors, such as the SFA's demographics or the quantity of other foods served during the meal, may have affected the observed differences. Thus, it is unknown to what extent, if any, factors other than the availability of fresh fruits and vegetables through the pilot project may have played in the observed differences.

⁶ *School Lunch Programs: Role and Impacts of Private Food Service Companies* (GAO/BCE-96-217, Aug. 26, 1996).

bidding and contracting processes that SFAS are otherwise required to handle by themselves. However, in commenting on a draft of this report, FCS officials told us that model contracts cannot cover all state and local requirements for each SFA. Therefore, SFAS that use model contracts must ensure that they include adequate provisions to cover all state and local requirements in order to protect their best interests.

Training cadre. Some states have identified individuals in various SFAS throughout the state who are experts in different aspects of the operation and management of the school meal programs, such as nutrition education, and have trained them to assist other SFAS in the state. These individuals together form a training cadre that is available to provide assistance to all the SFAS within the state as necessary. According to a regional FCS official, the hands-on training provided by members of Pennsylvania's and West Virginia's training cadres furnishes real-time solutions to the problems these states' SFAS face.

Best Practices Can Be Replicated, but Some Impediments Have to Be Overcome

Although replicating best practices in states and SFAS nationwide may result in operating efficiencies, cost savings, and better tasting and more nutritious meals for schoolchildren, there are some impediments to sharing best practices. Two best practices we reviewed in detail—Pennsylvania's computerized commodity-ordering system and Texas' use of TOB's infrastructure for purchasing fresh fruits and vegetables—illustrate the advantages of applying best practices to other states and SFAS and the difficulties that have to be overcome in doing so. Moreover, not all best practices are equally applicable to or beneficial for every state or SFA because of such factors as the size and/or location of the SFAS.

Pennsylvania's Computerized Commodity-Ordering System

In 1996,⁷ we reported that many states backhauled large quantities of federally donated meat, creating lower-quality products and increasing SFAS' program costs. This problem was caused, in part, by the inefficient commodity-ordering processes used by some states and SFAS and the fact that some states ordered only fine-ground beef. These states and SFAS were ordering large quantities of fine-ground beef without taking into consideration the type of products needed to fulfill their menu plans for the school meal programs.

⁷Federally Donated Meat and Poultry: Information on Extent and Impact of States' Restrictions on Processors (GAO/RCED-96-226, Aug. 29, 1996).

Some of the states and SFAs that are backhauling large quantities of federally donated meat could benefit from the use of a computerized commodity-ordering system like Pennsylvania's. Even though these states may have computerized systems or other manual systems for placing orders for commodities, these states may not use an approach like Pennsylvania's to optimize the ordering process. Pennsylvania's commodity-ordering process ensures that the state orders commodities that accurately match the SFAs' actual needs. This process relies on the state-developed network of commercial processors and food brokers that work with the SFAs to determine how best to use donated commodities to meet the requirements of the school meal menus. The information developed by the SFAs and commercial vendors is used by Pennsylvania to order donated commodities from USDA in the form and quantity that best meets the needs of the school meal programs in the state. Because of this improved ordering process, Pennsylvania's SFAs decreased the amount of beef that they had to backhaul from about 152,000 pounds for the 1993-94 school year to about 26,604 pounds for the 1995-96 school year. For the 3-year period (school years 1993-94 through 1995-96) Pennsylvania backhauled a total of 238,236 pounds of beef, about 1.6 percent of the total amount of beef it received from USDA for the period.

In contrast, we found that other states that receive large amounts of beef from USDA, such as Texas and Washington, continue to backhaul significant amounts every year. For the 3-year period we examined, these states backhauled a total of 2,656,171 and 798,804 pounds, or 6.9 and 12.9 percent of the total amount of beef they received from USDA, respectively. Although we could not obtain complete data for California—also a large recipient of USDA-donated beef—we found that SFAs using only the state's warehouse system backhauled about 750,000 of the about 2.6 million pounds of beef that they had received during 2 school years, 1994-95 and 1995-96.

Pennsylvania officials told us that they have provided information about their system to a number of states exploring the idea of setting up similar commodity-ordering systems. However, Pennsylvania officials also told us that their system has certain requirements that, if not met, could impede replication in other states. These requirements include (1) a network of commercial food brokers and processors that are willing to work with the SFAs and the state's commodity-distributing agency to develop and place orders for donated commodity foods; (2) a stipulation that SFAs identify as accurately as possible their plans for using their share of donated commodities, including the percentages they want delivered to the SFA, the

processor, or the warehouse; and (3) adequate computer support, including hardware and software. In commenting on a draft of this report, USDA officials concurred that states' commodity-distributing agencies should develop more efficient and comprehensive computerized ordering systems. However, they told us that using a commodity-ordering system like Pennsylvania's would not eliminate the requirement that SFAS use the competitive bid process when procuring food-processing services valued at over \$10,000. (For a more detailed discussion of Pennsylvania's computerized commodity-ordering system, see app. I.)

Texas' Use of DOD's Infrastructure to Purchase Fresh Fruits and Vegetables

In 1994, FCS gave the states the opportunity to participate in a USDA pilot project to purchase fresh fruits and vegetables through DOD for the school meal programs. Texas, along with seven other states, volunteered to participate in the pilot project. Initially, 85 of Texas' over 1,100 SFAS agreed to participate, and this number has grown to more than 200 SFAS for the 1996-97 school year. Similarly, the amount of commodity funds dedicated to the project in Texas has grown from \$340,000 for school year 1994-95 to \$2 million for school year 1996-97. The number of participating states and the level of funding available for the project nationwide have also expanded. Currently, selected SFAS in 32 states are participating in the pilot project and are authorized to purchase about \$20 million in fresh fruits and vegetables with commodity funds—an amount that has increased from \$3 million in 1994. SFAS participating in Texas have generally reported a high level of satisfaction with the quality of the produce and service provided by DOD. FCS officials told us that most SFAS participating in other states have been similarly satisfied.

However, efforts to expand the pilot project to all 50 states and every SFA within each state have been restricted because of limits on the amount of commodity funds that can be used for this project. Funding constraints arise primarily because of the cap on the amount of commodity funds that states can use to purchase fresh fruits and vegetables through the pilot project. USDA set the national cap for commodity funds available for the project at \$20 million for school year 1996-97. Texas' share of this national cap is \$2 million.⁵ According to the Texas official responsible for food distribution in the school meal programs, this level of funding cannot support all the SFAS in Texas that have asked to participate in the project. This official also told us that during the third year of the project, the limit on commodity funds was the most significant impediment to expanding

⁵Each participating state is allocated a portion of the \$20 million cap. This portion is based on the number of reimbursable meals served in the state.

the project to other SFAs in Texas. Moreover, an official of a Texas SFA told us that even if an SFA is allowed to participate in the project, the amount of commodity funds is often not enough to allow the SFA to purchase all of its fresh produce through DOD. Officials in other states—including Florida, Georgia, and Maryland—and FCS officials that we spoke to in both regional offices and headquarters also identified the limits on commodity funds available for the pilot project as the primary factor impeding its expansion.

Beginning in school year 1995-96, to overcome the impediment caused by limited commodity funds, FCS approved the use of cash reimbursement funds—funds provided by the federal government to SFAs to subsidize the cost of the school meals—to purchase fresh fruits and vegetables under the pilot project for seven states. Texas did not receive approval to use cash reimbursement funds until the 1996-97 school year. Moreover, Texas' SFAs were not notified until January 1997 that they could use their cash reimbursement funds for the pilot project. An FCS official told us that the delay in approving Texas' use of cash reimbursement funds for the project was caused by Texas' late request and the need to study each state's request individually because the project is still in the pilot phase. (For a more detailed discussion of Texas' participation in USDA's pilot project, see app. II.)

Other Factors Influence the Sharing of Best Practices

The ability to share best practices depends on circumstances at the state or SFA level. USDA officials told us that not all best practices should or could be replicated in all states and SFAs. For example, while cooperative purchasing agreements may work well for small SFAs in rural areas, larger SFAs in urban areas generally do not need such agreements to obtain competitive prices. Similarly, while other states and SFAs are requesting permission to participate in USDA's pilot project for purchasing fresh fruits and vegetables through DOD, one California SFA told us that it can purchase comparable fruit and vegetables at competitive prices locally without going through DOD because it is located near growing areas.

Training and Technical Assistance for Managing and Operating the School Meal Programs Is Limited

Since January 1995, the training and technical assistance provided by USDA to the states and SFAS (including the services provided by NFSMI and FNIC) have focused primarily on nutrition education because of USDA's new dietary guidelines that emphasize the use of more grains and vegetables and less fat. Less attention has been given to providing training and technical assistance to SFAS for improving the management and operation of the school meal programs. For fiscal year 1997, FCS has about \$10 million to spend on all training and technical assistance activities for the school meal programs, including activities targeting improvements in the management and operation of these programs.

FCS officials told us that because of competing priorities, such as the need to provide nutrition education, they generally have few resources for providing SFAS with training in the use of better management practices for the school meal programs. They agree, however, that this kind of training is needed and could help the states and SFAS obtain the best value for the dollars spent on purchasing and processing commodities for the school meal programs. FCS officials also agreed that encouraging the use of best practices by other states and SFAS nationwide is a good way to provide training and technical assistance, given the agency's limited resources.

Furthermore, sharing best practices will allow USDA to provide valuable assistance to the states and SFAS if these practices are identified as solutions for correcting deficiencies found during management evaluations or audits of the school meal programs. For example, according to an FCS regional official, during a management evaluation of New Jersey's operations, an SFA official indicated that the SFA would like to use more processed beef products to help reduce the large amounts of fine-ground beef it was keeping in storage, as well as the costs incurred for storage. To address this concern, the FCS regional official suggested that New Jersey consider using a computerized commodity-ordering system similar to Pennsylvania's to improve the state's commodity-ordering processes. The use of such a system could improve the process not only for the SFA reviewed under the management evaluation but for all other SFAS within the state. After New Jersey officials contacted Pennsylvania, Pennsylvania officials told us that they demonstrated their system and provided information on how to set up a similar system in New Jersey.

Sharing best practices has also been recognized by the National Governors' Association (NGA) as a practical means for states to learn about programs that operate effectively and efficiently in other states, innovative practices that other states have employed with success, and solutions to

problems in programs that are not working. To promote the use of best practices, NGA revamped its Center for Policy Research to form a Center for Best Practices and established a new mission that includes (1) identifying states' best practices and innovations and sharing this information with the nation's governors and (2) providing the technical assistance needed to transfer and implement best practices to make current programs more effective. In addition, sharing best practices has been generally acknowledged by GAO, other governmental agencies, and the private sector as a cost-effective approach for providing management training and technical assistance to organizations.⁹

Although USDA had a best practices awards program for the school meal programs, it discontinued this program because of limited resources and other competing priorities, according to an FCS official. The best practices awards program operated during fiscal years 1992 through 1994 at a total estimated cost of \$190,000. The program was designed to recognize and share information on successful practices used by school food service personnel. However, while the awards program provided ideas for the states to enhance their programs, it did not provide a means for the states and SFAS to seek FCS' technical assistance and guidance to ensure the successful implementation of these best practices.

Conclusions

The states and SFAS have adopted a variety of management practices to operate the school meal programs. Some of these practices have resulted in more efficient and effective ways of providing nutritious meals to students. As more responsibility for nutrition programs is transferred to the states and as federal funding for these programs decreases, it is important that the states and SFAS develop and implement more efficient and effective programs. We believe that encouraging the states and SFAS to share their best practices with one another could result in the more efficient operation of the school meal programs; potentially more nutritious meals; and, in some cases, cost savings for the SFAS.

However, recognizing that all best practices may not apply to all states and SFAS equally, we believe that as part of its oversight function and regulatory responsibilities, USDA should take the lead in facilitating the sharing and replicating of best practices across states and SFAS. We believe

⁹Best Practices Methodology: A New Approach for Improving Government Operations (GAO/NSIAD-95-154, May 1995); Inventory Management: Adopting Best Practices Could Enhance Navy Efforts to Achieve Efficiencies and Savings (GAO/NSIAD-96-156, July 12, 1996); Best Practices: Commercial Quality Assurance Practices Offer Improvements for DOD (GAO/NSIAD-96-162, Aug. 26, 1996).

that this approach could be particularly useful for improving the operation of programs in which USDA has identified weaknesses. Furthermore, given USDA's limited resources for providing training and technical assistance to the states and SFAS, we believe that sharing best practices is a relatively low-cost method of providing assistance on better program management practices.

Recommendation to the Secretary of Agriculture

To improve the management and operation of the school meal programs, we recommend that the Secretary of Agriculture direct the Administrator, Food and Consumer Service, to identify and encourage the adoption of best practices and to provide the necessary training and technical assistance to successfully transfer these practices to other states and SFAS, where appropriate.

Agency Comments

We provided a draft of this report to FCS for its review and comment. FCS agreed that sharing best practices in the school meal programs is an excellent means of improving program management at the state and local levels. FCS reiterated its continued commitment to promoting the sharing of best practices among states and SFAS. While FCS agreed with the concept presented in the recommendation, it raised some concerns about the feasibility of developing a program of this type at the current time because of the agency's limited resources. FCS said that, within available resources, it will continue to share and transfer information that will benefit the operation of the school meal programs.

We recognize that resource limitations may impede the establishment of a nationwide program to promote the sharing and transfer of best practices to states and SFAS, but we believe that FCS could explore a number of other low-cost opportunities to do this. For example, FCS could establish an Internet site to describe in detail how some states and SFAS manage and operate their school meal programs and how these best practices could be applied in other states and SFAS. Other USDA agencies have established such Internet sites to share information on best practices. In addition, FCS could require its regional management evaluation teams to identify best practices as part of their oversight function and to report these practices nationally. These teams could also point out the availability of an existing best practice during the course of their evaluations, especially in those cases in which they determine that deficiencies exist in program operations. To provide training and technical assistance, FCS does not need to establish a new national program. Instead, it could use its existing

training and technical assistance efforts, such as the National Food Service Management Institute and its workshops held in conjunction with the American Commodity Distribution Association and the American School Food Service Association, to incorporate training on best practices.

FCS also provided us with a number of technical comments that we incorporated into the report as appropriate. Appendix III contains FCS' written response to our draft report.

In addition, we received clarifying comments on a draft of this report from AMS, DOD, Pennsylvania, and Texas officials responsible for the matters discussed in this report. These comments have also been incorporated into the report as appropriate.

Scope and Methodology

To identify best practices developed and implemented by states and SFAS for managing and operating the school meal programs, we interviewed USDA officials in headquarters (in the Agricultural Marketing Service, Farm Service Agency, and Food and Consumer Service); officials in four of FCS' seven regional offices; state and local officials; and officials of the American Commodity Distribution Association and American School Food Service Association. We also used information we had obtained during our past review of federally donated meat and poultry for the school lunch program, in which Pennsylvania's computerized commodity-ordering system for meat was identified as a best practice.¹⁰

To determine the feasibility of replicating best practices in other states and SFAS, we evaluated two practices in detail to ascertain whether other states and SFAS could benefit from adopting these practices and to identify any impediments to their implementation. To obtain information on the benefits of and the requirements for using Pennsylvania's computerized commodity-ordering system, we spoke with Pennsylvania officials. To determine the benefits of using this system in other states, we spoke with AMS and FCS officials and with state officials in California, Texas, and Washington. We chose California and Texas because they receive the largest amounts of donated beef from USDA and also backhaul large quantities of fine-ground beef. We chose Washington State because while it receives a smaller amount of beef from USDA, it also backhauls relatively large quantities of beef. To obtain information on the benefits and operation of DOD's infrastructure for purchasing fresh fruits and

¹⁰Federally Donated Meat and Poultry: Information on Extent and Impact of States' Restrictions on Processors (GAO/RCED-96-230, Aug. 29, 1996).

vegetables, we spoke to USDA officials and DOD officials in Washington, D.C., Pennsylvania, and Texas. We also interviewed state and local officials in Texas, as well as visited three schools participating in the pilot project and one school not participating in the project in Texas. To determine what impediments exist to expanding this project to other states and SFAS, we spoke to officials from USDA, DOD, Florida, Georgia, Maryland, and Texas.

To determine what training and technical assistance USDA provides to the states and SFAS for improving the management and operation of the school meal programs, we obtained data from USDA and interviewed officials at FCS' headquarters and the Mountain Plains and Southeast regional offices. We also visited and spoke with officials at the National Food Service Management Institute in Mississippi. To obtain information on the training and technical assistance that USDA had previously provided for similar programs, we reviewed information on USDA's past best practices awards program. To determine what training and technical assistance states are providing to SFAS, we interviewed state officials in Florida, Kansas, and Texas.

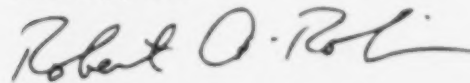
We conducted our review from September 1996 through April 1997 in accordance with generally accepted government auditing standards.

This report contains a recommendation to you. As you know, the head of a federal agency is required by 31 U.S.C. 720 to submit a written statement of the actions taken on our recommendation to the Senate Committee on Governmental Affairs and the House Committee on Government Reform and Oversight not later than 60 days after the date of this letter and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of this letter.

We are sending copies of this report to the congressional committees with responsibility for appropriations and legislation affecting USDA and to the Administrator of FCS. We will also make copies available to others on request.

Please contact me at (202) 512-5138 if you or your staff have any questions.
Major contributors to this report are listed in appendix IV.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Robert A. Robinson".

Robert A. Robinson
Director, Food and
Agriculture Issues

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Abbreviations

AMS	Agricultural Marketing Service
DOD	Department of Defense
FCS	Food and Consumer Service
FNIC	Food and Nutrition Information Center
GAO	General Accounting Office
NFSMI	National Food Service Management Institute
NGA	National Governors' Association
SFA	school food authority
TAP-IT	Telephonic Automated Produce Information Technology
USDA	U.S. Department of Agriculture

Pennsylvania's Computerized Commodity-Ordering System

This appendix discusses the objectives, operations and requirements, and potential impediments of replicating the computerized commodity-ordering system developed and implemented by Pennsylvania. During this review and our 1996 review of federally donated meat and poultry,¹ this system was identified by officials as a best practice for improving the ordering of commodities from the U.S. Department of Agriculture (USDA) and for reducing the backhauling of certain commodities, such as beef. During both reviews, we were told that if more states used ordering systems like Pennsylvania's, they would be able to place more accurate orders with USDA and could benefit from more efficient operations, cost savings, and better-quality meat and poultry products. Consequently, we selected Pennsylvania's commodity-ordering system as one of two best practices for detailed review.

Background

With over 900 school food authorities (SFA), Pennsylvania is one of the larger states participating in the school meal programs. According to a Pennsylvania official, participating SFAs represent public and private, urban and rural, and large and small school systems. The commodity-distributing agency for the state is responsible for consolidating each SFA's request for commodities into a total request for the state and providing this total request to USDA's Food and Consumer Service (FCS), which oversees the school meal programs. USDA delivers the commodity foods that the state is to receive for the school meal programs, in the form requested by the SFAs, to one of eight commercial warehouses that Pennsylvania uses for storage. From these warehouses, deliveries are made to the SFAs. Each warehouse serves the SFAs located within a specified area of the state.

Objectives for Implementing the Computerized Commodity-Ordering System

The major objective of developing a computerized commodity-ordering system, according to a Pennsylvania official, was to provide each SFA within Pennsylvania with its fair share of federally donated commodities. The system was also expected to enable the state and SFAs to more accurately determine the type of commodities needed for the school meal programs, thereby reducing the amount of commodities, especially of meat, that SFAs received from USDA and then backhauled to processors for reformulation during the year.

¹Federally Donated Meat and Poultry: Information on Extent and Impact of States' Restrictions on Processors (GAO/RCED-96-220, Aug. 29, 1996).

System Operation

Before implementing the computerized commodity-ordering system, according to an official with Pennsylvania's commodity-distributing agency, the state used historical estimates to determine each SFA's fair share of the commodities donated by USDA for the school meal programs. According to this official, in the past, the commodity-distributing agency could not guarantee that every SFA in the state would receive its fair share of all commodities. With the computerized commodity-ordering system, when FCS notifies the state of an opportunity to receive commodity food donations and identifies the amount of commodity food the state is to receive, Pennsylvania's state commodity-distributing agency is now able to enter the information into the computer system and calculate each SFA's fair share of the commodity being offered by USDA. The results of this fair-share calculation are provided to the SFAs and to the network of commercial food brokers and processors that sell products to the SFAs. These entities can then incorporate the commodities that will be available into their school meal menu plans. According to a Pennsylvania official, a very important benefit of the system is that even small SFAs that receive only a small quantity of a commodity, such as one case of donated meat, can now participate in the program.

To ensure that the state places the most accurate order possible to USDA for commodities needed by the SFAs for the school meal programs, most SFAs work with a network of commercial brokers and processors to determine which products best satisfy their menu requirements. The commercial vendors offer the SFAs a variety of options for processing USDA-donated commodities into products that can be used in the school meal menus. This is particularly important for meat products because they often need further processing before they can be used. For example, donated beef could be processed into wafer steaks (used in cheesesteak sandwiches), meatballs, and hamburger patties. In Pennsylvania, each SFA selects the product mix that best meets its needs and provides a list of its selections to the commodity-distributing agency. The commodity-distributing agency enters all 900 lists into the computerized system to determine (1) the form or forms in which USDA should provide the state's allotment of the donated commodity (e.g., 25 percent as fine-ground beef, 65 percent as coarse-ground beef, and 10 percent as hamburger patties) and (2) the percentage of each SFA's fair share that should be delivered to the SFA or the warehouse or sent directly to the processor. Pennsylvania provides this information to USDA, which uses it to solicit procurement bids and deliver products to the SFAs, warehouses, or processors. Processors that receive commodities from USDA deliver the kinds of product agreed upon with the SFAs to the warehouse that serves

those SFAS. When the processed product arrives at the warehouse, the SFAS are informed that the food is in storage in their account.

Benefits of Using the Computerized Commodity-Ordering System

According to Pennsylvania officials, the computerized commodity-ordering system provides the state and SFAS with a number of benefits. First, each of the over 900 SFAS in the state is sure to receive its fair share of all USDA-donated food. Second, by requiring the SFAS to work with commercial vendors and accurately estimate the quantity and type of commodities needed to fulfill their menu requirements, the system minimizes the backhauling of fine-ground beef, which degrades the quality of beef and increases the SFAS' costs. Third, the computerized ordering system allows Pennsylvania and its SFAS to better control their inventory of federally donated food so that commodities are not left in storage for long periods of time. Finally, Pennsylvania's system encourages the ordering of more processed products by the SFAS, which ultimately results in more efficient and economical meal preparation because the processing is performed by commercial companies on a large scale in central locations rather than by employees of the SFA as needed.

Pennsylvania's ordering system particularly benefits the federal government in purchasing high-value commodities like beef. Because Pennsylvania's method of ordering commodities encourages the use of bulk coarse-ground beef in processed beef products—such as wafer steaks and meatballs—the federal government buys more bulk coarse-ground beef than fine-ground beef—which is better suited for use in spaghetti, chili, and tacos—or hamburger patties. Since coarse-ground beef costs the federal government less per pound to purchase than other beef products, the government can buy more meat to stabilize domestic commodity markets at a lower cost. AMS officials told us that they encourage the states and SFAS to order coarse-ground beef for processing, rather than fine-ground beef, because of quality factors and cost savings to both the federal government and to the SFAS. These officials told us that bulk, coarse-ground beef is less costly than fine-ground beef when producing a processed product because processors need fewer resources for processing, and these savings are reflected in reduced costs to the SFAS. Moreover, according to AMS officials, less processing improves the quality and acceptability of the meat products provided for the school meal programs. Because bulk coarse-ground beef is specifically intended for further processing, its processing results in a finished product with better texture, appearance, and quality, which is also more acceptable to schoolchildren.

Costs Saved by Using the Computerized Commodity-Ordering System

Since Pennsylvania implemented its computerized ordering system, the amount of beef backhauled by SFAS in the state has declined. When the state implemented the system, in school year 1993-94, the amount of fine-ground beef backhauled for reprocessing was about 152,000 pounds. Four years later, Pennsylvania expects to have only about 8,000 pounds of fine-ground beef backhauled. More importantly, during this period, the amount of coarse-ground beef sent directly to processors has grown from 756,000 pounds in school year 1993-94 to 1,932,000 pounds in school year 1996-97. For school year 1995-96, the state estimated that SFAS saved about \$177,000 in backhauling costs for beef through their use of the state's revised system of ordering federally donated food.² State officials estimated \$460,000 in cost savings during the 1995-96 school year because of the reduced amount of meat (beef and pork) and poultry sent for backhauling.

To compare the benefits of Pennsylvania's system with other states that do not use a similar system, we obtained data from officials in three states—California, Texas, and Washington—that receive significant quantities of beef from USDA for the school meal programs. We found that the percentage of USDA-donated beef backhauled in Pennsylvania was much lower than the percentage backhauled in Texas and Washington. Table I.1 shows the amount and percent of donated beef backhauled by SFAS in Pennsylvania, Texas, and Washington for school years 1993-94 through 1995-96.

Table I.1: Total Amount of Commodity Beef Received and Backhauled by Pennsylvania, Texas, and Washington, School Years 1993-94 Through 1995-96

Amounts in pounds

State	Commodity beef received	Commodity beef backhauled	Percent of commodity beef backhauled
Pennsylvania	15,360,000	238,236	1.6
Texas	38,365,600	2,656,171	6.9
Washington	6,177,600	798,804	12.9

Source: GAO's analysis of FCS' and states' data.

For California, state officials could provide us with data only on the amount of beef that was backhauled for 2 school years, 1994-95 and 1995-96, and for beef that was stored in state-operated warehouses at two locations. California officials told us that for these 2 school years, about 2.6 million pounds, or 11.9 percent of the state's total commodity beef, was

²Pennsylvania's estimate of the cost savings reflects savings in warehouse charges and backhauling charges. It does not include efficiency savings.

delivered to their state-operated warehouses. During these 2 years, SFAS using the warehouses backhauled about 750,000 pounds of the fine-ground beef they received from USDA.

Potential Impediments to Replicating This System in Other States

Pennsylvania officials told us that their computerized commodity-ordering system had certain requirements that needed to be in place if the system were to be replicated successfully in other states. These requirements include (1) an established network of commercial food brokers and processors that are willing to work with the SFAS and the state's commodity-distributing agency to place accurate initial orders for the donated foods offered by USDA; (2) accurate information from the SFAS on their plans for using their share of the donated commodities, including the percentage they want delivered to the SFA, to the processor, or to the warehouse; and (3) adequate computer support, including hardware and software. Pennsylvania officials stated that, if other states ask for information about their system, they would share information on its purpose, operation, and requirements and on the specifications for the automatic data-processing equipment and software needed to support the system. For example, they told us that they had recently provided information on their system to New Jersey state officials.

Pennsylvania officials also told us that establishing the requirements for operating the system took over a year. For example, it was initially difficult to convince commercial processors and food brokers that it was in their best interest to work with the SFAS in determining how best to provide the SFAS with processed products that would meet the needs of the school meal programs. Furthermore, it was not easy to convince all the SFAS that they needed to improve the accuracy of their ordering processes. For example, one SFA resisted because it believed that it would be required to give up autonomy and flexibility in ordering, storing, and using donated commodities.

We asked state officials in California, Texas, and Washington if they would choose to replicate a system like Pennsylvania's. While these officials all acknowledged that SFAS in their states could order commodities more cost-effectively, they cited the following obstacles to implementing such a system:

- According to a California official responsible for overseeing the distribution of commodity beef for the state, the greatest obstacle to adopting a system like Pennsylvania's would be convincing SFAS to give up

the independence and flexibility they have under the current system. SFAS like the flexibility of ordering and storing fine-ground beef and backhauling it for processing throughout the school year, as needed. California officials stated that the complexity and size of the state and the number and diversity of the SFAS are also factors that affect the transferability of systems used by other states.

- The Texas manager of the food distribution program acknowledged that using commercial vendors to work closely with the SFAS is the optimum way to increase direct processing of raw commodities. However, he believes that commercial brokers in Texas would be unwilling to spend the time to work with SFAS in this manner. Without the cooperation of the commercial vendors, the Pennsylvania system could not be replicated in Texas.
- The director of Washington's food distribution program said that although the state's current manual system could be upgraded to a computerized system like Pennsylvania's, he was not sure that the cost could be justified. He also said that SFAS in Washington would prefer to maintain their flexibility over the use of USDA-donated beef, including backhauling.

We recognize that there are impediments to implementing a computerized commodity-ordering system like Pennsylvania's. However, these impediments are similar to those that Pennsylvania encountered and overcame in setting up its system and should not prevent other states from exploring the possibility of using, and, if necessary, modifying Pennsylvania's computerized commodity-ordering system to suit their own circumstances.

Texas' Use of the Department of Defense's Infrastructure to Purchase Fresh Produce

This appendix discusses USDA's pilot project for purchasing fresh fruits and vegetables using the Department of Defense's (DOD) infrastructure and the reasons Texas chose to participate in the project; explains how the project works; and identifies the impediments that other states and SFAs could encounter in attempting to participate in this project. The pilot project was identified by USDA and state officials as a best practice for improving the nutritional content and availability of fresh produce in the school meal programs. Although this project is currently operating in 32 states, we examined its operation in detail in Texas. We chose Texas for our review because it was one of the eight states that chose to participate in the project when it was first implemented in 1994.¹

Background

In recent years, FCS has emphasized the importance of improving schoolchildren's access to high-quality fresh fruits and vegetables to fulfill the nutritional standards for the school meal programs. Most schools receive canned fruits and vegetables purchased by the Agricultural Marketing Service (AMS) for the school meal programs. On occasion, AMS purchases fresh produce if it is in surplus and fulfills the agency's market stabilization objectives. However, because these purchases are usually sporadic and cannot fulfill all the SFAs' needs for fresh fruits and vegetables for the programs, SFAs use their cash reimbursement funds to purchase these products themselves.²

Objectives and Operation of the Pilot Project

To improve SFAs' access to high-quality fresh fruits and vegetables, FCS began a pilot project in 1994 to supply fresh produce to the schools using DOD's nationwide commodity-purchasing infrastructure. DOD was chosen for the pilot project because of its proven ability to provide high-quality fresh fruits and vegetables at competitive prices with on-time deliveries to its customers.³ During the first year of the pilot program, DOD provided about \$3 million in fresh produce to schools in eight states, including Texas. By the beginning of the 1996-97 school year, the pilot project had been expanded to schools in 32 states, and \$20 million in commodity funds

¹The other states were Colorado, Florida, Maryland, New Hampshire, South Carolina, South Dakota, and Wyoming.

²The federal government will provide cash reimbursements to SFAs in school year 1996-97 of about \$1.02 for each free breakfast, \$0.72 for each reduced-price breakfast, and \$0.20 for each full-price breakfast; and of about \$1.84 for each free lunch, \$1.44 for each reduced-price lunch, and \$0.18 for each full-price lunch.

³The Defense Subsistence Office within the Defense Personnel Support Center of the Defense Logistics Agency purchases fresh produce for DOD's military bases and commissaries, federal prisons, and veterans hospitals.

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Texas' Use of the Department of Defense's
Infrastructure to Purchase Fresh Produce

were set aside for purchases through DOD's purchasing infrastructure.⁴ Each participating state is allocated a portion of the \$20 million cap on the basis of the number of reimbursable meals served in the state—Texas' share for school year 1996-97 is \$2 million.

Although participating states and SFAS have some discretion in implementing the pilot project, the project operates in Texas much as it does in other participating states. To participate in the pilot project in Texas, SFAS must enter into an agreement with the Texas Department of Human Services—the agency responsible for distributing USDA commodities—to follow specific operating procedures. The state agency determines which SFAS will be allowed to participate in the pilot project and determines the amount of commodity funds each participating SFA will be authorized to spend on the project. This amount is based on the number of meals the SFAS serve under the National School Lunch Program and the total amount that FCS has allocated to the state for use on this project. The list of SFAS authorized to participate in the project and the dollar amount each is authorized to spend is provided by the state agency to DOD.

DOD provides each SFA authorized to participate in the pilot project with a list of available produce from which the SFA can order the fresh fruits and vegetables it needs for school meals. According to a Texas official, orders may be placed by telephone, fax, or DOD's automated telephone ordering system (known as TAP-IT).⁵ The SFA also provides information to DOD on the frequency of deliveries—such as weekly or biweekly—and the number of delivery stops, which may include more than one school location and/or the SFA storage facility.

According to DOD officials, the produce that DOD provides to SFAS is purchased through commercial produce vendors or is delivered directly from DOD's distribution points—which DOD uses to consolidate purchases from wholesale produce markets. The fresh produce is delivered by commercial vendors who are under contract with DOD. DOD provides an invoice to each school or SFA at the time of delivery and deducts the total amount purchased by the SFA from its allocation. DOD notifies an SFA when

⁴According to an FCS official, of the \$620 million available for commodity purchases in school year 1996-97, FCS allocated approximately \$470 million for commodities to be purchased through AMS such as meat, fish, and fresh, frozen, and canned fruits and vegetables, of which \$20 million has been set aside for the pilot project with DOD, and \$150 million for commodities to be purchased through the Farm Service Agency, such as grain, peanuts, oil, and dairy products.

⁵Telephone Automated Produce Information Technology (TAP-IT) enables SFAS to place orders 24 hours a day, 7 days a week. SFAS can call in their orders by entering, among other things, a toll-free telephone number, the identification number, and the quantity of the desired items.

it has spent 90 percent of its allocation and will not accept an order that would cause the SFA to exceed its spending limit.

Benefits of Participating in the Pilot Project

Over the 3 years of its operation in Texas and nationwide, the pilot project has enabled a growing number of SFAs to take advantage of DOD's ability to provide fresh produce in a timely manner. For example, in Texas, with over 1,100 SFAs, the number of participating SFAs has increased from 85 to more than 200.⁶ The amount spent on fresh fruits and vegetables purchased by Texas SFAs through DOD has grown from \$340,000 in school year 1994-95 to a projected \$2 million for school year 1996-97. Texas officials reported two reasons why SFAs prefer to use DOD instead of other vendors: (1) a wider variety of high-quality fruits and vegetables at comparable prices and (2) advantages in customer service, such as more efficient ordering procedures and more convenient delivery. FCS officials told us that SFAs in other participating states have reported similar reasons for satisfaction with DOD's service.

Moreover, a recent study conducted in Colorado⁷—a state that also participates in the project—found that, during school year 1994-95, students at schools that were in the pilot project (1) were likely to eat more fresh fruits and vegetables and wasted less than those who were not and (2) ate more than four times the amount of fruits and vegetables as children in schools that were not participating. However, the study did not address the extent to which other factors, such as the SFA's demographics or the quantity of other foods served during the meal, may have affected the observed differences. Thus, it is unknown to what extent, if any, factors other than the fresh fruit and vegetables may have played in the observed differences.

Impediments to Expanding the Pilot Project

Federal restrictions on the amount of commodity funds that can be used to purchase fresh produce through DOD is the most significant impediment to expanding the pilot project to all 50 states and all SFAs within each state. FCS has capped this amount at \$20 million for school year 1996-97. Each of the 32 participating states is allocated a portion of this cap on the basis of the number of reimbursable meals served in the state. As a result, states

⁶A Texas official stated that, in addition to the 200 SFAs already participating in Texas, another 181 SFAs were offered the opportunity to participate during the second half of school year 1996-97. These SFAs are in Austin and San Antonio and the surrounding areas.

⁷J. Anderson, and L. Ryan, *Evaluating the Fresh Fruit and Vegetable Pilot Project in Colorado*—Final Report, Department of Food Science and Human Nutrition of Colorado State University, (Fort Collins, Colorado: 1996).

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are unable to allow all SFAs within their state to participate in the project. For example, Texas officials told us that because their portion of the national cap—\$2 million—is not enough to allow all SFAs in the state to participate in the project, they have had to restrict participation to selected SFAs in the state. Moreover, an SFA official in Texas told us that even if his SFA is allowed to participate in the project, the amount of commodity funds allocated to it out of the state cap is often not enough to allow his SFA to make all of its fresh produce purchases for the entire school year through DOD. Consequently, some SFAs are choosing to purchase only a limited number of items through DOD and are supplementing these purchases with purchases of fresh produce through other vendors. Other state officials said that more SFAs would participate in the project if more funds were available to them.

To overcome the limitations on expanding the pilot project that result from the cap placed on the use of commodity funds, starting in school year 1995-96, FCS allowed the states to use their cash reimbursement funds as well as their commodity funds to purchase produce through DOD. In January 1997, Texas became the eighth⁸ state allowed by FCS to permit SFAs to use their cash reimbursement funds to purchase fresh produce from DOD during the 1996-97 school year. DOD officials expect that SFAs in the states authorized to use cash reimbursements for the pilot project will spend about \$5 million in cash reimbursement funds in addition to their allotted commodity funds during the 1996-97 school year.

In addition, because Texas officials have a goal of providing each SFA in the state with the opportunity to participate in the pilot project by school year 1997-98, they have decided to phase in the participation of SFAs in groups, by geographic area, over several years. Each new group of SFAs will be allowed to use commodity funds for the project. For example, SFAs in the Dallas-Fort Worth area were given the first opportunity to participate during the 1994-95 school year; in school year 1995-96, the opportunity was extended to additional SFAs in central and western Texas; and during the 1996-97 school year, eligibility was expanded to SFAs in the Austin and San Antonio metropolitan areas.

However, according to Texas officials, under the Texas expansion plan, not all participating SFAs have been allocated enough commodity funds to purchase fresh produce for the entire school year through DOD. SFAs that participated in the project in a prior year are authorized to supplement

⁸The other seven states that used cash reimbursement funds are California, Colorado, Hawaii, Nevada, South Dakota, West Virginia, and Wyoming. According to FCS officials, West Virginia is planning to rely entirely on cash reimbursement funds to purchase from the project in school year 1996-97.

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their commodity funds with cash reimbursement funds. For example, SFAS from the Dallas-Fort Worth area that participated in the project last year are required to use their cash reimbursement funds after their commodity funds for the project are depleted if they want to continue to purchase fresh produce through DOD for the rest of the school year. But SFAS new to the project this year were authorized to use only their commodity funds for the project starting in February 1997. For example, SFAS in the Austin and San Antonio areas were allocated enough commodity funds to use for the pilot project from February through June 1997. According to state officials, this strategy will allow newly eligible SFAS to purchase through the DOD project by using their commodity funds rather than cash reimbursements. Furthermore, gradually phasing in participation of additional SFAS will not overburden the state and DOD resources available for implementing the project statewide. While Texas' plan may not be suitable to all states participating in the pilot project, it does provide one approach to expanding participation to all SFAS within a state.

Comments From the Food and Consumer Service

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



United States
Department of
Agriculture

MAY 02 1997

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Mr. Robert A. Robinson
Director
Food and Agriculture Issues
Resources, Community, and Economic
Development Division
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Robinson:

We have reviewed the draft report, School Meal Programs: Sharing Information on Best Practices May Improve Programs' Operations (GAO/RCED-97-126). At the exit conference on April 30, 1997, the Food and Consumer Service (FCS) discussed, and followed up with written comments on, the draft report. Additionally, we expressed that our major concern was with the limited applicability of one of the best practices identified, Pennsylvania's Computerized Commodity Ordering System. While we concur that State Distributing Agencies should develop efficient and comprehensive computerized commodity ordering systems, the system described could only be utilized by State Distributing Agencies that have very small school food authorities whose procurements do not meet the \$10,000 threshold requiring formal bidding (7 C.F.R. 3015, Subpart S). Therefore, we are requesting that this clarification be made in the final report.

As discussed at the exit conference, we are also providing formal Agency comment to the recommendation.

GAO Recommendation (from draft report)

"To improve the management and operation of the school meals programs, we recommend that the Secretary of Agriculture direct the Administrator, Food and Consumer Service, to identify and encourage the adoption of best practices, and provide the necessary training and technical assistance to successfully transfer these practices to other states and SFAs, where appropriate."

FCS Response

We agree that sharing best practices identified in school meals programs is an excellent means of improving program management at the State and local levels. FCS has promoted, and continues to promote, the sharing of best practices among State and local program operators. FCS initiatives in this area include

See comment 1

Mr. Robert A. Robinson

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See comment 2

Best Practices Program. FCS implemented a Best Practices Program from fiscal years 1992 through 1994. The program was designed to encourage and reward innovative practices in school food service and recognize the management and operation of successful school food service programs. FCS acknowledged these management practices in a variety of categories at both the school and school food authority levels. (This initiative was discontinued due to diminished staff resources.)

National Food Service Management Institute (NFSMI). NFSMI was established by Congress in 1989 and reauthorized in 1994, to operate under a Grant Agreement with FCS. NFSMI is a national center which provides information, conducts applied research, and offers training and education to improve the quality and operations of the child nutrition programs. These services are provided for child nutrition directors, managers and personnel.

Food and Nutrition Information Center (FNIC) of the National Agricultural Library. FNIC of the National Agricultural Library provides information support services for FCS. State agency staff and FCS program clientele are eligible to receive services from FNIC. The FNIC coordinator serves as liaison to FCS to develop and coordinate the implementation of services for FCS clientele. Activities planned for fiscal year 1997 include: providing lending, reference and research services; providing electronic access to USDA and other educational information; developing and managing the Healthy School Meals Resource System; and continuing the School Food Service Software Evaluation Team.

See comment 3

We are concerned that the draft report does not describe the regional office resources devoted to the management evaluations of State agency operations. For example, in fiscal year 1996, management evaluations of the operations of school programs were conducted for 15 State agencies. Through this process, the regional offices provide an ongoing comprehensive assessment of State agency operations while offering technical assistance to achieve regulatory compliance as well as improve program management. Regional office staff are experienced and trained to provide solutions to problems encountered, and offer technical assistance based on their experience and knowledge of operating systems.

See comment 4

While we are not opposed to the concept presented in the recommendation, we have reservations about the feasibility of developing a program of this type at this time due to Agency resource limitations. Substantial staff resources would be needed in order to systematically identify and validate excellent management and operation practices of States and school food authorities that may be duplicated, and to disseminate the information nationwide. We will continue to share information and provide technical assistance to program operators through NFSMI, FNIC, and the management evaluation

Appendix III
Comments From the Food and Consumer
Service

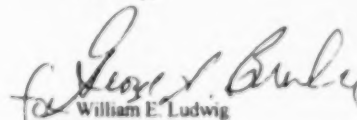
Mr. Robert A. Robinson

3

process. However, we cannot commit to additional activity beyond this commitment without additional administrative funding. Of course, as we become aware of initiatives that may benefit State and local operations, we will transfer this information to the extent that resources are available.

We greatly appreciate the opportunity to provide comments to the draft report.

Sincerely,



William E. Ludwig
Administrator

GAO Comments

1. We have included FCS' concern regarding the universal applicability of Pennsylvania's computerized commodity-ordering system. While we agree that the use of a commodity-ordering system like Pennsylvania's does not relieve SFAS from the \$10,000 threshold requiring the use of the competitive bid process, we do not agree that this requirement should prevent states from developing and implementing more accurate and efficient commodity-ordering systems. We also do not agree with FCS' statement that a computerized commodity-ordering system can only be used in states that have very small SFAS. We found that a large number of SFAS in Pennsylvania, such as the ones in Philadelphia and Allegheny County, continue to order commodities through the state's computerized commodity-ordering system as well as comply with the competitive bidding requirement.

2. We have included a summary of various FCS initiatives to provide training and technical assistance.

3. We have included a summary of FCS' regional office management evaluations of state operations.

4. Regarding FCS' response to our recommendation, while we recognize that resource limitations may impede the establishment of a nationwide program to promote the sharing and transfer of best practices to states and SFAS, we believe that there are a number of other low-cost opportunities to do this. For example, FCS could establish an Internet site to describe in detail how some states and SFAS manage and operate their school meal programs and how these best practices could be applied in other states and SFAS. Other USDA agencies have established such Internet sites to share information and best practices. In addition, FCS could require its regional management evaluation teams to identify best practices as part of their oversight function, especially in those cases in which they determine that deficiencies exist in program operations. With regard to providing training and technical assistance, FCS does not need to establish a new national program. Instead, it could use its existing training and technical assistance efforts, such as the National Food Service Management Institute and its workshops held in conjunction with the American Commodity Distribution Association and the American School Food Service Association, to incorporate training on best practices.

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